

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1608-01  
Bill No.: HB 831  
Subject: Children and Minors: Education, Proprietary  
Type: Original  
Date: April 6, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue	(Less than \$100,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Less than \$100,000)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Public Safety - Office of Director, Department of Insurance, Office of Secretary of State - Division of Business Services**, and the **Public School Retirement System** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 18 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,107 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations  
ASSUMPTION (continued)

related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Joint Committee on Public Employee Retirement** assume this proposal would not affect retirement plan benefits as defined in Section 105.660 (5).

Officials from the **Coordinating Board for Higher Education** state this proposal will have no fiscal impact on their agency; however it may have a fiscal impact on higher education institutions that currently sponsor charter schools or those that choose to do so in the future due to broadening the scope of possible sponsors.

Officials from **Missouri Western State College** stated this proposal would have no fiscal impact on their institution.

Officials from the **Saint Louis Community College** state they have not sponsored any charter schools and that the proposed legislation will have no fiscal impact on their institution at this time.

Officials from the **University of Missouri System** were unable to determine costs of the proposal to the University of Missouri System as currently written.

Officials from **Central Missouri State University**, in response to similar legislation from this session (SB 455), stated this proposal would have no fiscal impact on their institution

In response to similar legislation from this session (SB 455), officials from **Harris-Stowe State College** estimated expenses relating to sponsorship of a charter school at \$75,000 to \$90,000 per year. **Oversight** assumes this amount is included in the total allocated per Section 160.415, RSMo.

According to officials from the **Public School Retirement System of the School District of Kansas City (PSR-KC)** and the **Public School Retirement System of Saint Louis**, the proposed legislation could have no actuarial cost or a significant actuarial cost, depending on how certain sections are interpreted.

Officials from the **City of Saint Louis** state that although the proposal does increase the Mayor's ability to sponsor a charter school it does not , however, direct any general fund moneys to fund ASSUMPTION (continued)

the charter school. There is no fiscal impact on the City of Saint Louis.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume state funding to the charter schools does not change as a result of this proposal, just who sends the money to the charter. The state would be capturing both the local and state piece from the district calculation and sending it to the charter. DESE will experience internal costs to revise various data collection instruments and payment programs to treat charter schools as local education authorities (LEAs). Costs may approach \$100,000 to change all the necessary computer programs.

At the present time, in addition to the two school districts currently allowed to have charter schools in operation, both McDonald Co. R-I and Normandy would meet these criteria. There are currently 105 school districts with enrollment of 2,000 or more. DESE cannot determine exactly how many schools will become provisionally accredited, nor can DESE determine the extent to which charter schools will be permitted in those provisionally accredited districts; however, DESE foresees the need for 2.0 FTE supervisors and 1.0 administrative assistant to administer the proposal and mitigate the increased demand for technical assistance.

**Oversight** assumes the amount of provisionally accredited districts will not increase to the extent that additional personnel would be needed by DESE. If a substantial number of school districts were to become provisionally accredited, personnel and expenses could be requested through the appropriations process.

Officials from the **Kansas City and St Louis Public School Districts** did not respond to a request for fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Department of Elementary and Secondary Education - Reprogramming costs	(Less than \$100,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2006  
(10 Mo.)

FY 2007

FY 2008

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposed legislation creates numerous revisions to laws concerning charter schools:

SECTION 160.400 - Current law states that charter schools are independent, publically supported schools. This proposal alters the aforementioned statement to read that charter schools are independent, public schools.

The proposal expands the list of possible locations where Charter schools may be operated to include large school districts that have been designated as either provisionally accredited or unaccredited. Also, charter schools may be operated in the currently authorized territories, even if the existing school district no longer exists or includes that territory. The proposal clarifies that charter schools may be sponsored by any public 4-year college or university with an approved teacher preparation program. A charter school may also be sponsored by the mayor of a city not within a county or of a home rule city with more than four hundred thousand inhabitants and located in more than one county.

The proposal alters the provision concerning school buildings owned or controlled by a school district in which charter schools may be established. Expenses associated with sponsorship of charter schools shall be defrayed by DESE retaining one and five-tenths percent of the amount allocated to the charter school under Section 160.415.

Prior to granting or renewing a charter, sponsors must complete criminal background checks on the members of the Board of Directors applying to establish a charter school. No member of a charter school board may be employed by the charter school nor have substantial interest in any entity employed by or contracting with the board.

The proposal requires timely submission of data required by the State Board of Education.

DESCRIPTION (continued)

SECTION 160.405 - This section revises the procedure and time line for chartering a school. A charter school proponent shall provide the local school district and the State Board of Education with copies of the charter school application within five days of submitting the application to the proposed sponsor. The sponsor's decision of approval or denial must be made within 90 days of filing the proposed charter (rather than the current 60); if the charter is denied, written notice must be served on the State Board of Education within five days. The State Board has 90 days to deny or grant a proposed charter and shall provide reasons for denial in writing.

Charter schools are required to publish audits and financial reports. Charter schools may publish audit reports and annual financial reports via the internet on the secretary of state's website in lieu of other publishing requirements. A charter may be revoked for failure to provide necessary compliance information, or the sponsor may require specified remedial action of the school.

Alternative charter schools will be judged on their performance on measures selected by the sponsors, as well as standardized public school measures.

SECTION 160.410 - Charter schools must make available the charter, the results of background checks, and the public report card to the parent of guardian of any eligible pupil seeking to enroll at the school. Reasonable fees may be charged for such copies.

SECTION 160.415 - This section includes provisions relating to Charter schools becoming local education agencies and includes alterations regarding the payment mechanism to charter schools. If DESE overpays or underpays the amount due the charter school, such over or under payment shall be repaid by the public charter school or credited to the public charter school in twelve equal payments in the next fiscal year. Any dispute between DESE, the school district, and a charter school regarding funding shall be resolved by the administrative hearing commission, with the option of judicial review. If a dispute should occur, DESE is mandated to make every administrative and statutory effort to allow the continued education of children in their current public charter school educational setting and not take action which prevents (either directly or indirectly) the continued operation of a charter school.

SECTION 160.420 - This section allows district teachers employed in charter schools to retain tenure status and seniority rights for three years. Charter schools are permitted to hire non-certificated administrators.

SECTION 167.349 - This section allows any campus of the state university located in a county of the third classification (University of Missouri-Rolla) to sponsor charter schools.

DESCRIPTION (continued)

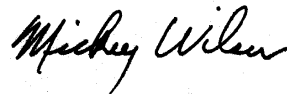
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Coordinating Board for Higher Education  
Office of Administration  
    Administrative Hearing Commission  
Office of State Courts Administrator  
Department of Public Safety  
    Office of the Director  
Department of Insurance  
Joint Committee on Public Employee Retirement  
Public School Retirement System  
Public School Retirement System of Saint Louis  
Public School Retirement System of Kansas City  
Office of Secretary of State  
    Administrative Rules Division  
    Division of Business Services  
City of Saint Louis  
Missouri Western State College  
St Louis Community College  
Central Missouri State University  
Harris-Stowe State College  
University of Missouri System

NOT RESPONDING

**Kansas City School District**  
**Saint Louis School District**



Mickey Wilson, CPA  
Director

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